

EX PARTE OR LATE FILED

Squire, Sanders & Dempsey

U. S. Offices:
Cleveland, Ohio
Columbus, Ohio
Jacksonville, Florida
Miami, Florida
New York, New York
Phoenix, Arizona

International Offices:
Brussels, Belgium
Budapest, Hungary
London, England
Prague, Czech Republic

Counsellors at Law
1201 Pennsylvania Avenue, N. W.
P. O. Box 407
Washington, D. C. 20044-0407

February 9, 1995

Telephone: (202) 626-6600

Cable Squire DB

Telecopier: (202) 626-6780

Direct Dial Number

(202) 626-6838

RECEIVED

FEB 09 1995

**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY**

William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: ET Docket No. 93-7

Dear Mr. Caton:

DOCKET FILE COPY ORIGINAL

On February 8, 1995, representatives of Compaq Computer Corporation met with Commissioner Susan Ness and Mary McManus, her legal advisor, to discuss the Cable Compatibility proceeding, ET Docket No. 93-7. Compaq was represented by Joseph Tasker, Jr., Director, Federal Regulatory Affairs, and the undersigned. The issues discussed at this meeting have been previously placed in the public record in Compaq's pleadings and the attached handout was distributed.

Because of the lateness of the hour, this report is being filed on the morning after the meeting. The original and one copy of this letter is enclosed for filing in accordance with Section 1.1206(a) of the Commission's rules. If you have any questions, please contact the undersigned.

Sincerely,

Jonathan Jacob Nadler

Jonathan Jacob Nadler

Enclosure

cc: Commissioner Susan Ness
Mary McManus

No. of Copies rec'd
List A B C D E

001

PRESENTATION OF COMPAQ COMPUTER CORPORATION

ET DOCKET NO. 93-7

RECEIVED

FEB 09 1995

**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY**

THE COMMISSION SHOULD REQUIRE THE FULL UNBUNDLING OF THE CABLE SET-BACK BOX

February 8, 1995

I. Compaq Computer Corporation: A Market Innovator

- Compaq is the largest manufacturer of personal computers and personal computer systems in the world today, with 1994 revenues of \$10.9 billion.
- Compaq's historic focus has been in the PC market, where its innovative and affordable products have made it a recognized leader. Today, Compaq's reach extends from home computers to business PCs, from mobile computing to PC networks.
- Looking to the future, Compaq intends to be a major participant in the information technology industry by becoming the leading provider of "platforms" -- ranging from consumer PCs to enterprise client/server systems -- that provide network access, information processing, and storage capability. Compaq also anticipates serving its customers by forging alliances with providers of information transport "conduits" and information content.

II. Compaq's Vision: The Emerging National Information Infrastructure

- In order to promote the growth of the National Information Infrastructure, information conduits -- including cable systems and telephone networks -- will have to become more open and interoperable. Ultimately these disparate services will form an interoperable federation of architectures, interfaces, and protocols that will constitute the backbone of the NII.
- The personal computer will play a pivotal role in the NII.
 - Over time, more intelligence will move from the conduits to the platforms.
 - The PC will play a key role in this transformation; it is a multi-functional platform that is well suited to a wide range of business, educational, and entertainment uses.
 - * The first step will be the merger of the PC and the television. Indeed, many PCs currently are equipped with "tuner boards" that enable the PC to act as a TV monitor.
 - * PC-TV is just the beginning. Ultimately, the PC will integrate a wide range of telecommunications, information processing, and display functions.
 - At the same time, competition and technological advances will force prices down. As a result, by the year 2000 as many as 75 percent of all households may have some type of PC.

III. The Cable Compatibility Proceeding is an Important Step in the Process of Fostering the Development of the NII

- In order for the NII to develop, functionality must be allowed to migrate from non-competitive conduits (including cable systems) into competitively provided equipment.
- Allowing cable systems to bundle security and non-security functions in the Decoder Module would be inconsistent with this goal.
 - Consumers currently are obligated to obtain equipment that provides the security function from the cable systems.
 - Allowing cable systems to bundle this functionality with non-security functions would foreclose competition from independent manufacturers.
 - The ultimate result would be to allow cable system operators to bundle non-security functionality into their networks.
- There are several acceptable ways to unbundle the Decoder Module from non-security-related in-home equipment.
 - The simplest solution is to require the physical separation of the Decoder Module from other in-home cable equipment providing non-security functions.
 - An alternative solution is to allow cable systems to bundle security-related and non-security-related functions into a single box, provided the cable system is required to make available a "security only" Decoder Module.
 - A third possibility is to require cable systems to license their security technology to independent equipment manufacturers, thereby allowing both cable systems and independent manufacturers to offer a security/non-security Decoder Module.

- Resolution of this issue will set an important precedent.
 - In the short term, unbundling security and non-security functions will allow functionality to migrate from the monopoly cable networks to competitively provided set-back boxes, televisions, and VCRs. This will become increasingly important as such functionality becomes more advanced.
 - Such unbundling also is a necessary precondition to allowing functionality to migrate from the cable conduits to PCs or other "smart platforms" in response to technical developments and market demand.
 - In addition, Unbundling the set-back box is an important step towards the adoption of a comprehensive "Part 68 for Cable," which will ensure the ability of end-users to connect competitively provided equipment to the cable network.
 - Finally, the Cable Compatibility proceeding is closely related to the Video Dialtone proceeding. The Commission's Unbundling Rule, 47 C.F.R. § 64.702(e), requires carriers providing video dialtone service to unbundle the provision of customer premises equipment (including the set-top box) from their basic transport service. The Commission should adopt consistent rules in both proceedings, thereby allowing consumers to have the full benefit of competition in the market for in-home equipment used in conjunction with multi-channel video programming.